

AMENDED IN SENATE APRIL 6, 2000

AMENDED IN SENATE APRIL 3, 2000

**SENATE BILL**

**No. 1725**

**Introduced by Senator Haynes**

**(Coauthors: Senators Leslie, Monteith, Morrow, and  
Rainey)**

**(Coauthors: Assembly Members Ashburn, Battin, Campbell,  
Cox, Cunneen, Dickerson, Leach, Robert Pacheco, Pescetti,  
and Runner)**

February 23, 2000

An act to add Section 17140.6 to the Revenue and Taxation Code, relating to taxation, to take effect immediately, tax levy.

LEGISLATIVE COUNSEL'S DIGEST

SB 1725, as amended, Haynes. Income taxes: exclusion: military retirement benefits.

The Personal Income Tax Law provides various exclusions from gross income in computing tax liability.

This bill would provide an exclusion from gross income for all federal military retirement benefits or payments received under a federal Survivor Benefit Plan and for the first \$20,000 of military retirement pay.

This bill would take effect immediately as a tax levy.

Vote: majority. Appropriation: no. Fiscal committee: yes. State-mandated local program: no.

*The people of the State of California do enact as follows:*

1 SECTION 1. The Legislature finds and declares *all of*  
2 the following:

3 (a) Under the federal military retirement system  
4 there is a program known as the Survivor Benefit  
5 Program (SBP). The program is self-funded by military  
6 retirees, who accept reduced retired compensation for  
7 their military service in order to provide a pension to  
8 their surviving spouse and minor aged children which is  
9 only payable upon the death of the retirees. The taxing of  
10 these survivor benefits amounts to double taxation.

11 (b) There are more military retirees living in  
12 California than any other state and many of those retirees  
13 were retired prior to military pay being brought up to its  
14 current levels. The computation of many of these military  
15 retirees is below the federal poverty level. It is only  
16 appropriate that the state exempt a portion of that retired  
17 pay from state income taxes.

18 SEC. 2. Section 17140.6 is added to the Revenue and  
19 Taxation Code, to read:

20 17140.6. Gross income shall not include both of the  
21 following:

22 (a) All federal military retirement benefits or  
23 payments received under a federal Survivor Benefit Plan  
24 established pursuant to Subchapter II (commencing with  
25 Section 1447) of Chapter 73 of Title 10 of the United States  
26 Code.

27 (b) The first twenty-thousand dollars (\$20,000) of  
28 military retirement pay.

29 SEC. 3. This act provides for a tax levy within the  
30 meaning of Article IV of the Constitution and shall go into  
31 immediate effect.

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